

Attachment 12: Preventive Maintenance Funding for Operating Purposes

Preventive maintenance will be considered a score 9 funding priority in Transit Capital Priorities, unless a fiscal need exists and can be demonstrated accordingly by the requesting operator based on the guidelines outlined below. MTC must declare that a fiscal need exists to fund preventive maintenance where such action would displace higher scoring capital projects ready to move forward in a given fiscal year. A fiscal need can be declared if the following conditions exist:

- An operator can demonstrate in a board-approved budget or budget assumption that a shortfall exists; this budget or budget assumption must consider MTC's latest adopted fund estimate and/or Short-Range Transit Plan forecasts for transit-specific revenues.
- An operator must demonstrate that all reasonable cost control and revenue generation strategies have been implemented and that a residual shortfall remains.
- An operator can demonstrate that the shortfall, if not addressed, would result in a significant service reduction.

The Commission will consider the severity of the shortfall and the scope and impact of the service cuts in determining whether fiscal need exists. Operators establishing a fiscal need must also adhere to the following four requirements in order to be eligible to receive funding for preventive maintenance:

- i. Operators must successfully show a board approved bridging strategy that will sustain financial recovery beyond the year for which preventive maintenance is requested.
- ii. The bridging strategy should not rely on future preventive maintenance funding to achieve a balanced budget. In other words, should a service adjustment be required to balance the budget over the long run, preventive maintenance should not be invoked as a stopgap to inevitable service reductions.
- iii. Funds programmed to preventive maintenance should not be considered as a mechanism to sustain or replenish operating reserves.
- iv. Operators requesting FTA formula funds to meet operating shortfalls will be limited to two years preventive maintenance funding within a 12-year period.

Concepts for Preventive Maintenance Allowance – For an individual operator to make use of preventive maintenance funding, other operators in the region must be able to move forward with planned capital replacement. The following two mechanisms will ensure both protection of capital replacement and flexibility for preventive maintenance:

- Capital Exchange – In this option, an operator could elect to remove an eligible capital project from TCP funding consideration for the useful life of the asset in exchange for preventive maintenance funding. The funding is limited to the amount of capital funding an operator would have received under the current TCP policy in a normal economic climate. If an operator elects to replace the asset - removed from regional competition for funding under

these provisions – earlier than the timeline established for its useful life, the replacement will be considered an expansion project.

- Negotiated Agreement within an Urbanized Area – In the second option, an operator may negotiate with the other operators in the affected urbanized areas to receive an amount of preventive maintenance funding, providing that a firewall is established between the affected urbanized area(s) and all other urbanized areas. This will ensure that other operators' high-scoring capital replacement projects are not jeopardized.

The requesting operator will enter into an MOU with MTC and, if applicable, other transit properties affected by the preventive maintenance agreement. The agreement will embody the four eligibility requirements outlined above as well as any other terms and conditions of the agreement. It is the intent of this policy that funding for preventive maintenance will not increase the region's transit capital shortfall.

The policies in this section do not apply to funding from the FY10 – FY12 Preventive Maintenance Reserve, which will be treated as flexible set-aside.